



# save now

before the myths get in the way of your retirement

Don't fall for the common myths that can prevent you from saving in your workplace savings plan. Over time, that could become a costly mistake. But here's an easy, two-part strategy for putting your plan to work:

1. **Learn the realities of saving and set aside the myths.**
2. **Make a big financial breakthrough—  
start saving, or increase your contribution today.**



# I. learn

## the realities of saving and set aside the myths.

### Myth #1:

I don't understand investing and don't have time to learn.

### Reality: You don't have to be an investment expert to save.

Fidelity has more than 50 years of investment experience and more than 20 years of experience in helping people from all walks of life plan for the retirement lifestyle they want to enjoy. You can count on Fidelity to provide you with the information and assistance you need to help you make the retirement decisions that are right for you.

- *Still unsure? Consider the Fidelity Freedom Funds*,<sup>®</sup> a simplified investment choice providing what most retirement savers need—diversification [spreading your money among different types of investments within the three asset classes (stocks, bonds, and short-term investments)], professional management, and automatic asset allocation. Identify the fund with a target retirement date closest to the year you want to retire, and/or one that meets your risk tolerance, and take advantage of the convenience of a fund that gradually becomes more conservative over time. The Freedom Income Fund is designed for those already in retirement. Neither diversification nor asset allocation ensures a profit or guarantees against loss. These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in high yield, small cap, and foreign securities.
- *To enroll or to change your contribution amount*, go to **[fidelity.com/atwork](https://fidelity.com/atwork)** or simply call a Fidelity Retirement Services Specialist at **1-800-343-0860**, Monday through Friday, 8:00 A.M. to midnight ET.

### Myth #2:

I can't afford to save.

### Reality: When they put their minds to it, most people can save—even if it's a small amount. Your future may depend on it.

You might need to change a spending habit or uncover hidden costs, but once you start saving, you'll be amazed at the way small amounts can add up over time. Need some suggestions for trimming your expenses? The following pages include some great **hypothetical examples**, and all you have to do is direct the savings to your workplace savings plan.

- **Invest your income tax savings.** Here is an example of how much a married couple with children could save from the recent tax law changes compared to 2002. They could then use these tax savings to increase their contributions to their workplace savings plan. Look how much they could add to their retirement nest egg after 25 years, just by investing their 2003–2004 tax savings as shown below:<sup>1</sup>

|  |      |         |   |
|--|------|---------|---|
| Married with two children<br>\$75,000 household income | 2003 | \$1,133 | Total tax savings: \$2,266                      |
|  | 2004 | \$1,133 | Potential growth over 25 years: <b>\$14,337</b> |

<sup>1</sup> This hypothetical example assumes a married couple, both age 40, with two children, filing jointly. Each spouse earns \$37,500 and they contribute a combined \$94.42 per month for 24 months (2003–2004) to their workplace savings plans. Potential growth figures assume the tax savings in 2003 and 2004 are invested in a tax-deferred retirement plan over 25 years at a hypothetical 8% annual rate of return, compounded monthly for years 2003 and 2004, and compounded annually for the next 23 years, with reinvestment of dividends and capital gains distributions. This example assumes the participants are in a hypothetical 15% marginal tax rate and claim the child tax credit. This example is not meant to imply the actual performance of any particular investment. Your own plan account may earn more or less than this example and income taxes will be due when you withdraw from your account. Investing in this manner does not ensure a profit or guarantee against loss in declining markets.

## Myth #2: continued

- **Contribute a percentage of your salary, not a fixed dollar amount.<sup>2</sup>**

Your contributions will *increase automatically* with your pay raise. You won't have to take action to increase your contribution amount, and you won't be tempted to spend your raise.

**Assume a starting annual pretax salary of \$30,000 and compare:**

|   |               |   |
|---|---------------|---|
| 10% annual contribution,<br>4% annual pay increase:<br>Potential growth over 30 years: <b>\$560,515<sup>3</sup></b> | <b>versus</b> | \$3,000 annual contribution<br>Potential growth over 30 years: <b>\$375,074<sup>3</sup></b> |
|---|---------------|---|

- **Bring your lunch to work two days a week instead of eating out.**

|  |   |
|--|---|
| Estimated annual savings: <b>\$500</b> | Potential growth over 30 years: <b>\$62,512<sup>3</sup></b> |
|--|---|

- **Consider refinancing your mortgage.** Reducing your interest rate by 1% when you're five years into a 30-year fixed-rate mortgage could save you \$58.81 a month.<sup>4</sup>

|   |   |
|---|---|
| Estimated annual savings: <b>\$705.74</b> | Potential growth over 25 years: <b>\$55,931<sup>3</sup></b> |
|---|---|

- **Pay off credit card debt, or find a credit card charging a lower interest rate.**

Assume you have a \$5,000 balance payable at 18%. Switch to a card charging 12% interest.

|  |   |
|--|---|
| Estimated annual savings: <b>\$300</b> | Potential growth over 30 years: <b>\$37,507<sup>3</sup></b> |
|--|---|

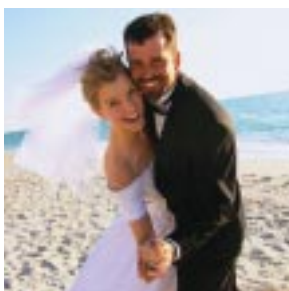
- **Review your current insurance policies for auto, home, and life.** Try to reduce your insurance premiums by increasing deductibles, eliminating unnecessary options, or switching carriers. Many insurance carriers offer discounts for multiple policies—auto and home. Assume \$50 savings a month.

|  |   |
|--|---|
| Estimated annual savings: <b>\$600</b> | Potential growth over 30 years: <b>\$75,015<sup>3</sup></b> |
|--|---|

<sup>2</sup> If offered by your employer.

<sup>3</sup> These are hypothetical examples, and your own results will vary. Each example assumes an 8% annual rate of return, compounded monthly, and an annual contribution to a tax-deferred retirement plan for the entire number of years indicated. Taxes are not taken into account. If they were, results would be lower. Pretax contributions and any earnings will be taxed at the time of withdrawal. Systematic investing does not ensure a profit and does not protect against loss in a declining market.

<sup>4</sup> Based on refinancing a 30-year, fixed-rate mortgage with an original principal of \$100,000 from 7% to 6% after five years.



### Greater Marriage Penalty Relief

The basic standard deduction for joint filers increased to \$9,500 from \$7,950 for years 2003 and 2004. This is another way you could use these tax savings to increase your contributions to your workplace savings plan.

**Myth #3:**  
Saving is too hard.  
I'm not disciplined.

**Reality: Make the choice; the rest is “automatic.”**

Direct your employer to deduct a contribution from your income each pay period. You'll see the deduction, but you may not even miss it.

**Because your contributions are made from pretax income**, you actually reduce your current income tax bill. Compared with taxable investments outside your plan, contributing to your workplace savings plan can increase your take-home pay!

| Contributing can increase your take-home pay                          |                   |                 |
|---|-------------------|-----------------|
|   | Tax-deferred plan | Taxable account |
| Annual gross salary   | \$30,000          | \$30,000        |
| 6% pretax contribution  | - \$1,800         | \$0             |
| Taxable income  | \$28,200          | \$30,000        |
| Less 25% federal income tax   | - \$7,050         | - \$7,500       |
| \$1,800 after-tax contribution to a taxable account outside the plan. | \$0               | - \$1,800       |
| Take-home pay   | \$21,150          | \$20,700        |
| <b>Annual difference in take-home pay</b>                             | <b>\$450</b>      |                 |

*This hypothetical example is for illustrative purposes only. It shows the impact on take-home pay of a pretax vs. an after-tax annual contribution based solely on an assumed 25% federal income tax rate. Actual taxes and tax savings will depend on your individual tax situation. “Take-home pay after taxes” does not take into account any payroll deductions except the assumed income taxes noted above. Pretax contributions and any related earnings in the tax-deferred account will be taxed at the time of withdrawal.*

**Myth #4:**  
I'm too young  
to save for  
retirement.

**Reality: Time is one of the best-kept investment secrets.**

Starting early can potentially result in a greater accumulation of money with less of a contribution.

| A Tale of Two Savers |              |            |                   |                   |                           |
|----------------------|--------------|------------|-------------------|-------------------|---------------------------|
|                      | Starting Age | Ending Age | Total Contributed | Years Contributed | Potential Value at age 65 |
| <b>Katie</b>         | 21           | 30*        | \$10,000          | 10                | \$214,189                 |
| <b>Matt</b>          | 35           | 64*        | \$30,000          | 30                | \$122,346                 |

*This is a hypothetical example, and your own results will vary. It assumes \$1,000 pretax, annual contributions to a tax-deferred plan for the years indicated above and an 8% annual rate of return. Taxes are not taken into account. If they were, results would be lower. Pretax contributions and any earnings will be taxed at the time of withdrawal. Systematic investing does not ensure a profit and does not protect against loss in a declining market.*

*\* While Katie and Matt stopped contributing to the plan (at the ages shown), assets remained invested in the plan until age 65.*

**Putting time on your side makes “tax-deferred compounding” work hard for you.**

Compounding allows your money the potential to grow by building up the earnings on your previous earnings, and because your contributions are tax-deferred, no income taxes are due until you withdraw your money. With the help of tax-deferred compounding, small contributions over time can yield surprising results.

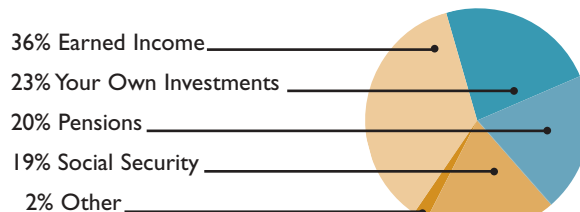
**Myth #5:**  
Social Security  
will provide much  
of my income, so I  
don't need to save.

**Reality: Social Security was never meant to be a retiree's only source of income.**  
You would be wise to consider it as a supplement to your income, at best.

**The Social Security Administration estimates that Social Security currently provides less than one-quarter** of what many retirees need for housing, food, and other living expenses. See the chart below.

#### Sources of retirement income

Yearly income from Social Security for a typical retiree may cover less than you think. You may be responsible for almost 60% of your retirement income—or more.



*Source: Social Security Administration. Office of Policy. Income of the Aged Chartbook, 2001 (released May 2003). Key sources of retirement income for households with income of \$40,000 or more per year. This chart is for illustrative purposes only.*

Your personal savings and your workplace savings plan may represent your biggest source of income in retirement. For more information, go to the Social Security Administration Web site at [www.ssa.gov](http://www.ssa.gov).

Will your savings last your lifetime? If you are still not convinced to start saving early, please consider these additional facts:

#### **Americans enjoyed the longest life expectancy in U.S. History—77.4 years.\***

—Many experts say you may need from 60% to 80% of your pre-retirement income to maintain a lifestyle similar to the one you have now. Some experts are even saying you'll need up to 100%—because we are living longer<sup>†</sup>

**Longer life spans, rising medical costs, declining retiree medical coverage by private employers, and possible shortfalls ahead for Medicare and Medicaid—all add to a critical challenge for retirees and pre-retirees alike. If your employer doesn't offer a retiree health plan, will you have sufficient savings to meet your medical expenses in retirement?**

—With no access to an employer-sponsored health care plan, a couple retiring today at age 65 will need an additional current savings of \$175,000 to fund out-of-pocket medical expenses.<sup>††</sup>

—In addition, you may have possible long-term care expenses, which can range from \$33,000 in low-cost states like Louisiana to over \$91,000 in Connecticut for just one year of such care.

—Roughly 50% of Americans now turning age 65 will be admitted to a nursing home at some point in their lives. About half of those people will stay six months or less. But roughly one in 10 will stay three years or more.<sup>§</sup>

\*Center for Disease Control and Prevention, National Vital Statistics Report, Vol. 52, No. 13, Feb. 11, 2004

<sup>†</sup> Ernst & Young, 2001

<sup>††</sup> Retiree Health Care Accounts: The Next Step Toward a Workable Solution, Revised December 2003, Fidelity Workplace Services

<sup>§</sup> General Electric Capital Assurance Company, 2003

## 2. **make**

a big financial breakthrough—start saving today.

Now that you know the difference between the myth and the reality about retirement saving, think how easy it can be to help yourself to a more secure retirement. Saving for your retirement and contributing more to your plan is fast, easy, and convenient. Why not start right now?



### **Participate in your workplace savings plan, or increase your savings today**

Call Fidelity at **1-800-343-0860**, Monday through Friday, 8:00 A.M. to midnight, ET. Tell a Retirement Services Specialist that you want to start saving today, or increase your contribution amount.

Log on to **fidelity.com/atwork**, click Enroll under “Quick links,” or visit NetBenefits<sup>SM</sup> to increase your contribution amount. Do it today. Add the benefit of time to your investment strategy.

TTY service for the hearing impaired can be accessed at **1-800-259-9743**, Monday through Friday, from 8:00 A.M. to midnight, ET.

**Need help?**  
**We've got answers.**  
**Call 1-800-343-0860**  
**or visit**  
**fidelity.com/atwork.**

**Before investing in any investment option, please carefully consider the investment objectives, risks, charges, and expenses. For this and other information, call Fidelity at 1-800-343-0860 or visit [www.fidelity.com](http://www.fidelity.com) for a free mutual fund or variable annuity prospectus or a fixed annuity fact sheet. Read it carefully before you invest.**

*Pretax contributions are subject to the annual IRS dollar limit.*

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